Financial Results & Business Update
HY2021 (6 months to September 2020)

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Enabling the
Connected Future

Agenda

Agenda Item	Presenter
HY2021 Financial Key Points	Anand Rambhai (CFO)
HY2021 Key Achievements	Brent Robinson (CEO, Managing Director)
Market Update	Brent Robinson
Q&A Session	
Closing Comments and Outlook	Brent Robinson

Anand Rambhai

Brent Robinson

HY2021 Key Points

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- **‹ Revenue of $59.5m vs. $56.9m in HY2020**

  ❑ Q1 down due to COVID-19, Q2 up strongly driven by Telecommunications

  ❑ Global Positioning and Space & Defence both lower, down $3.7m and $0.8m respectively

- **‹ Net profit after tax of $4.6m vs. $1.3m in HY2020**

- **‹ Underlying EBITDA[1] of $11.4m vs. $6.9m in HY2020**

Revenue	Up $2.6m
Net profit	Up $3.3m
Underlying EBITDA[1]	Up $4.5m

Notes:
All figures are presented in New Zealand dollars unless otherwise indicated
[1] Refer to note 4 of the HY2021 unaudited consolidated financial statements for an explanation of how 'Non-GAAP Financial Information' is used, including a definition of 'Underlying EBITDA' and reconciliation to net profit after tax
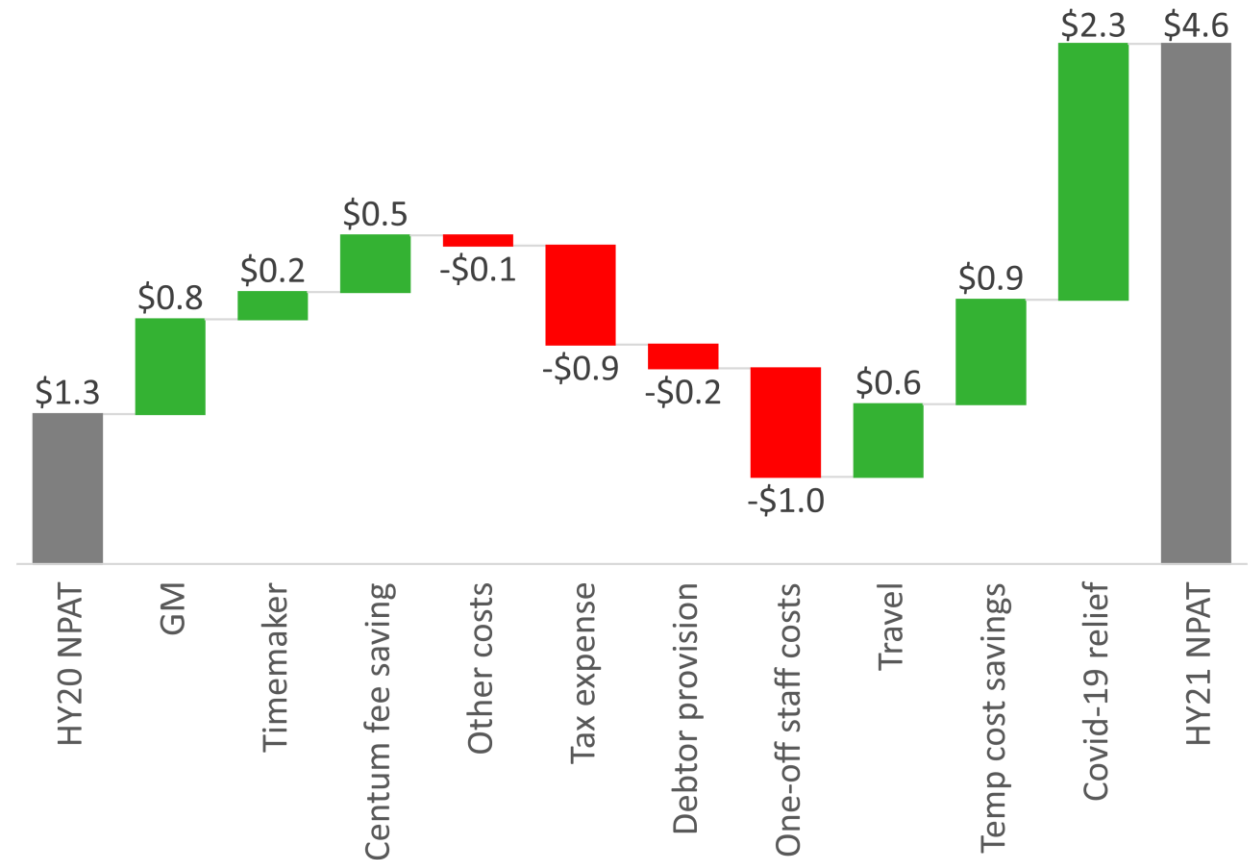
HY2021 Key Points

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‹ Contributing factors to the movement in net profit

- ❑ Gross Margin (GM)$ from higher revenue

- ❑ Improved Timemaker earnings from demand for consumer electronics

- ❑ Centum (Ex Indian partner) administration fee ceased Nov 2019

- ❑ Higher tax on higher earnings

- ❑ Review of debtors provision

- ❑ Global resource realignment

- ❑ COVID-19 related impacts

  - ▪ Travel

  - ▪ Temporary cost reductions (staff remuneration, directors fees, rent)

  - ▪ Relief from governments (NZ, France, UK)

Half-year on half-year $3.3m movement in net profit explained

NZ$m

Category	Value
HY20 NPAT	$1.3
GM	$0.8
Timemaker	$0.2
Centum fee saving	$0.5
Other costs	-$0.1
Tax expense	-$0.9
Debtor provision	-$0.2
One-off staff costs	-$1.0
Travel	$0.6
Temp cost savings	$0.9
Covid-19 relief	$2.3
HY21 NPAT	$4.6

HY2021 Key Points

NZ$m

Performance for the six months to September	HY2021	HY2020	Change
Revenue	59.5	56.9	+2.6
Gross profit	27.1	26.3	+0.8
Operating expenses	24.5	25.1	-0.6
Underlying EBITDA[1]	11.4	6.9	+4.5
Depreciation & amortisation	4.3	4.3	+0.0
Net profit after tax	4.6	1.3	+3.3
Earnings (cent per share)	2.0	0.6	+1.4
Operating cash flow	7.9	3.4	+4.5
Capital expenditure	1.9	3.0	-1.1

Change in financial position since March 2020	Sep-20	Mar-20	Change
Inventory	41.8	37.6	+4.2
Net debt (excluding lease liabilities)	2.8	7.9	-5.1

‹ **Capital expenditure**

- ❑ Prior year capacity expansion in India
- ❑ Discretionary spend curtailed in HY2021

‹ **Inventory growth**

- ❑ Buffer to cover global supply chain uncertainty
- ❑ Higher demand for longer lead-time products

‹ **Operating cash flow & net debt**

- ❑ Historic R&D tax credit received
- ❑ Higher HY2021 earnings

Notes

[1] Refer to Note 4 of the HY2021 unaudited consolidated financial statements for an explanation of how 'Non-GAAP Financial Information' is used, including a definition of 'Underlying EBITDA' and reconciliation to net profit after tax

HY2021 Key Achievements

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‹ Telecommunications segment growth

- ❑ 5G products delivered out of NZ provided strong revenue growth
- ❑ Rakon awarded the major share of 5G Remote Radio Head (RRH) business
- ❑ Major Tier-1 cloud computing customer secured

‹ XMEMS™

- ❑ Design wins with strategic customers and their applications
- ❑ Trademarked in key regions

‹ Expanded TCXO and OCXO capacity in both NZ and India for 5G growth
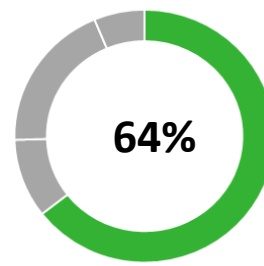
‹ COVID-19

- ❑ Initially severely impacted and strong actions taken to mitigate
- ❑ All operations recovered well and continue to operate normally even in the significantly affected regions of France and India

Market Update

Telecommunications

64% **of Revenue**
HY2020: 57%

‹ Update

- ❑ Despite COVID-19 disruptions, USD revenue was up 18% on the same period last year

- ❑ COVID-19 created a bubble of demand, particularly in the second quarter with customers trying to secure safety stock

- ❑ Very strong 5G demand from Asia

‹ Outlook

- ❑ Geopolitical pressure on China has disrupted supply and slowed down 5G deployments in this market

- ❑ The same issue is expected to push out 5G rollouts globally

- ❑ COVID-19 is still creating uncertainty leading customers to have cautious outlooks

- ❑ Rakon's products are still well-positioned for new 5G equipment and data centres; Rakon has capacity to deliver, as deployments gather momentum

Global Positioning

10% of Revenue
HY2020: 17%
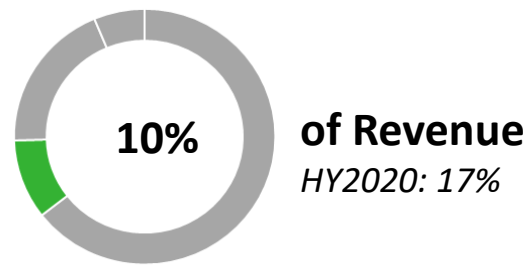
‹ Update

- ❑ Overall Global Positioning revenue was down 38%
    - ◼ Predominantly due to Rakon continuing to focus on high-end positioning and less on the higher volume, lower margin, commoditised GNSS[1] business
    - ◼ Aviation market was down due to COVID-19
    - ◼ Emergency beacon market was also down as a result of supply chain issues related to COVID-19
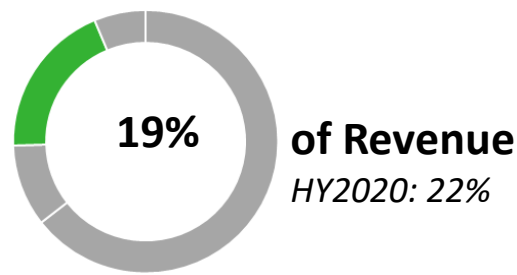
‹ Outlook

- ❑ Forecast is for recovery in the second half year as the industrial / precision demand returns to normal levels, however some uncertainty still remains

[1] *Global Navigation Satellite System*

Space & Defence

19% **of Revenue**
HY2020: 22%

‹ Update

- ❑ Combined revenue for Space and Defence was down 7% vs. HY2020
  - ■ Space revenue was down mainly due to the phasing of orders and deliveries
  - ■ Solid demand continues in the Defence market with revenue up vs. HY2020, with good growth in Europe

‹ Outlook

- ❑ In line with previous years, deliveries are higher in the second half compared to the first half and should result in a similar full year result to FY2020
- ❑ New business has been secured within the NewSpace segment from a LEO[1] satellite network in Asia and revenue is expected to start flowing through in the last quarter

[1] Low Earth Orbit

Q&A

Closing Comments and Outlook

Closing Comments and Outlook

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HY2021

‹ Strong first half despite difficult start

  ❑ Low Q1 and very strong Q2

‹ Softer demand in Telecommunications expected in second half

  ❑ COVID-19 creating global uncertainty and cautious investment in infrastructure

  ❑ Geopolitical instabilities disrupting global supply chains

‹ Year-on-year steady revenue growth still expected for full year

Closing Comments

‹ While COVID-19 worsens in France and India, production continues at normal levels

  ❑ EBITDA guidance of $16–18m still valid

‹ XMEMS™ superior technology proven with lead customers and plans to scale up now commencing

‹ High precision time and synchronisation becoming a more critical element for global technological development and growth

  ❑ Rakon's industry leading product portfolio enables these requirements

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Rakon Everywhere

DEEP SPACE PROBE

TELECOM, EARTH OBSERVATION & GNSS SATELLITES

LOW EARTH ORBIT SATELLITES

LAUNCH VEHICLES

4G / 5G RADIO TOWER

AVIONICS

VSAT

GROUND & SHIPBOARD STATIONS

DEEP SEA CABLE

LTE-A SMALL CELLS

5G SMALL CELLS

PRECISION AGRICULTURE

EMERGENCY LOCATOR BEACONS

FINANCIAL NETWORKS

CARRIER ETHERNET ROUTERS & SWITCHES

ASSET MANAGEMENT

CABLE / DSL / FIBRE TO THE HOME

IoT

INDUSTRIAL AUTOMATION

ENTERPRISE NETWORKS

LOW POWER WAN

SMART GRID

AUTONOMOUS VEHICLES

AIR TRAFFIC CONTROL & SURVEILLANCE RADARS

DRONES & UNMANNED AERIAL VEHICLES

FACTORY

DATA CENTRES

5G MACRO

URLLC NETWORKS

SPORT & RECREATION WEARABLES

AR / VR TELEHEALTH

HOSPITAL

5G REMOTE RADIO HEADS

MICROWAVE

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